

Up Off the Mat

While the economy still has room for improvement, the stock market has staged an impressive recovery. Coming off the March low, the S&P 500 Index has advanced 45%. The containment of COVID-19, Federal Reserve's actions to provide liquidity into the financial system, and continued incremental positive news on the opening of the economy have all contributed to the optimism we are currently seeing. Similar to the 2008-2009 financial crisis, the stock market began its recovery well before the economy emerged from recession.

The first quarter earnings reporting season closed out (6 companies left) with EPS down 12.6% year-over-year on a revenue decline of 1.4%. The current consensus for second quarter 2020 S&P 500 earnings is down 43.0% on a 12.2% revenue decline. The bulk of the COVID related impact to the economy should hit in the second quarter and should mark the trough in both earnings and GDP decline in the U.S. The two consecutive decline in GDP would be classified as a recession, but barring another COVID-like event, we should see incremental growth in the second half of 2020 and above-average growth in 2021.

First-time unemployment claims for the week of May 30th decreased to 1.877 million versus 2.126 for May 23rd. Continuing Claims for the week of May 23rd were 21.487 million, an increase from 20.838 million for May 16th. While continuing claims inched back up, the peak still looks like it was 24.192 the week of May 9th. The weekly new claims are being counterbalanced by higher new jobs and furloughed workers returning to jobs.

In our *Dissecting Headlines* section we look more in-depth at the May employment report.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	5.0%	-1.1%	Aggregate Bond Index	-0.3%	4.0%
Dow Jones Industrial Average	6.8%	-5.0%	U.S. Dollar Index	-1.4%	0.6%
NASDAQ 100	2.8%	12.5%	WTI Crude Oil	11.4%	-35.2%
Russell 2000 (Small Cap Index)	8.1%	-9.7%	Gold	-2.4%	11.1%
International Stocks (MSCI ex-US)	7.2%	-8.6%	Real Estate (US REIT Index)	11.2%	-13.2%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: May Employment Report

The May employment report was a big catalyst for the market on Friday with 2.5 million nonfarm jobs created in May and the unemployment rate dropping from 14.7% to 13.3%. The two sets of data come from two different surveys by the Bureau of Labor Statistics (BLS). The nonfarm payroll number is compiled from the Establishment Survey (speaking with businesses) and the Unemployment Rate is compiled from the Household Survey (speaking with individuals).

The BLS is aware of an issue that not all furloughed workers are being counted as unemployed. Greg Ip, a reporter from *The Wall Street Journal*, explained this would have made the April unemployment rate up to 5% higher (19.7% v. 14.7%) and the May rate up to 3% higher (16.3% v. 13.3%). Consensus of economists for May unemployment was 20%, so even with the potential adjustment the unemployment rate came in lower than expected. Additionally, the adjustment would indicate that the employment improved more on sequentially basis (month-to-month) than initially suggested.

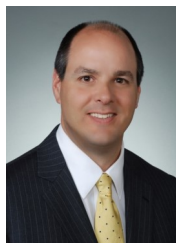
As we mentioned last week, the consumer accounts for approximately two-thirds of the U.S. economy. As the employment situation improves, it provides both discretionary income and confidence for consumers to spend. Coupling this with an inability to spend in some discretionary categories during the lockdown could be setting the stage for a strong boost in consumer spending in coming months.

The NovaPoint Capital Team



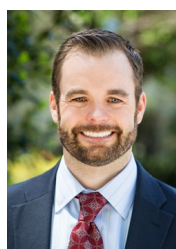
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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet strategies for depository institutions. He holds a BS in Banking and an MBA in Finance from Nova Southeastern University. Alan is an endurance athlete and three-time IRONMAN finisher.



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Jeff has 10 years of industry experience. Prior to joining NovaPoint, Jeff was a Vice President in the Private Banking and Investment Group at Merrill Lynch. Jeff also worked at Booz Allen Hamilton and the Department of Defense. Prior to his private sector career, Jeff was a Field Artillery officer in the U.S. Army. He holds a BA from the University of Texas and an MBA from the University of Maryland. Jeff is Chartered Financial Analyst (CFA).



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Frederick has over 25 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).



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Christina has 25 year of accounting experience. She earned her CPA license in 1998 while working as a Senior Accountant for Bennett Thrasher PC. She has also worked in accounting roles in the financial services, public relations, and manufacturing industries. She earned her BS in Accounting at Miami University in Oxford, Ohio magna cum laude. She is a member of the American Institute of Certified Public Accountants (AICPA) and a member of the Georgia Society of CPAs.

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